

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 SS-15 L-03 H-02 NSC-10 PRS-01 CIAE-00

INR-10 NSAE-00 RSC-01 COME-00 INT-08 SCEM-02 TRSE-00

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R 271330 Z JUN 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5227

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E. O. 11652: N/ A

TAGS: ENRG, IN

SUBJECT: ESSO CONCERNED OVER EQUITY SHARE NEGOTIATION
DELAYS; EARLY TAKEOVER UNLIKELY

REF: NEW DELHI MEMCON, JUNE 5, 1973; SUBJECT:
W. B. CLEVELAND VISIT AND OTHER ESSO DEVELOP-
MENTS

1. DURING A CALL ON THE CHARGE JUNE 25, MSSRS. W. B. CLEVELAND, PRESIDENT, AND JOHN G. FINLEY, VICE PRESIDENT AND DIRECTOR, ESSO STANDARD EASTERN, INC., HOUSTON, TEXAS, AND ARTHUR NEFF, GENERAL MANAGER, ESSO INDIA, EXPRESSED APPRECIATION FOR THE EMBASSY'S COOPERATION IN MATTERS RELATED TO ESSO'S OPERATIONS IN INDIA, AND ASSURED US THAT ESSO REPS WOULD CONTINUE TO KEEP THE EMBASSY INFORMED ABOUT THE COMPANY'S OPERATING STATUS IN INDIA. CLEVELAND SAID THAT, WHILE HE HAD NO PRESENT INTENTION OF CALLING UPON USG ASSISTANCE, IT WAS COMFORTING TO KNOW THAT SUPPORT WOULD BE GIVEN IF REQUIRED.

2. CLEVELAND STATED THAT HE PALNNED TO MEET WITH PETROLEUM MINISTRY SECRETARY P. K. DAVE, AND OTHER GOI OFFICIALS, ON JUNE 25-
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26 IN AN EFFORT TO LEARN WHY THE GOVERNMENT HAD NOT RECENTLY DEMONSTRATED AN ACTIVE DESIRE TO PURSUE NEGOTIATIONS ON ESSO'S EQUITY SHARE OFFER. AT THE LAST ESSO/ GOI MEETING IN MARCH, ESSO SUBMITTED STATISTICS AND THE COMPANY'S JUSTIFICATION FOR A MODIFIED "BOOK VALUE" PROPOSAL, AND HAS SINCE WAITED FOR THE GOVERNMENT TO PROPOSE A TIME FOR THE NEXT NEGOTIATING SESSION (REF MEMCON). HE NOTED THAT PROGRESS TOWARD AN EQUITABLE AGREEMENT HAD BEEN SIGNIFICANT DURING EACH OF THE FIRST FOUR MEETINGS, AND THAT THERE CONTINUES TO BE NO EVIDENCE OF A BREAKDOWN IN NEGOTIATIONS. HE ASSURED THE CHARGE THAT HE WOULD REPORT WITHOUT DELAY ANYTHING NEW THAT MIGHT EMERGE FROM HIS JUNE 25-26 PETROLEUM MINISTRY MEETINGS. ESSO REPS DID NOT CONTACT THE EMBASSY AGAIN BEFORE CLEVELAND'S DEPARTURE FOR BOMBAY (AND THE US) JUNE 26, AND THE COMPANY'S DELHI OFFICE HAS SINCE REPORTED ONLY THAT PETROLEUM MINISTRY OFFICIALS INFORMED CLEVELAND THAT ESSO'S "FOURTH ROUND PRESENTATION IS CURRENTLY UNDER REVIEW." WE WILL REPORT FURTHER AS INFORMATION COMES TO LIGHT.

3. THE CHARGE ASKED FOR CLEVELAND'S VIEWS ON RECENT STATEMENTS MADE BY PETROLEUM MINISTER D. K. BAROOAH. ACCORDING TO PRESS REPORTS, BAROOAH SAID THAT NATIONALIZATION WOULD BE "A MATTER OF TIME" AND THAT FOREIGN OIL COMPANIES WOULD BE RUN AS STATE ENTERPRISES BEFORE BEGINNING OF THE FIFTH FIVE- YEAR PLAN (APRIL 1974) (TIMES OF INDIA, JUNE 20, AND INDIAN EXPRESS, JUNE 25). CLEVELAND AGREED THAT IT HAD ALWAYS BEEN DIFFICULT TO ANTICIPATE THE GOI'S "NEXT MOVE", BUT HE SAID THAT HE REMAINED OF THE OPINION THAT THE GOVERNMENT WOULD NOT ACT PRECIPITOUSLY. HE POINTED OUT THAT DOMESTIC CRUDE OIL SHORTAGES, AND INDIA'S PRESENT INABILITY TO OBTAIN ADEQUATE ALTERNATE SOURCES OF IMPORTED CRUDE, CONTINUED TO BE PRINCIPAL DETERRENTS TO EARLY TAKEOVER OF FOREIGN FIRMS. HE SAID THAT ALL INDICATIONS ARE THAT THE GOI WILL CONTINUE WITH ITS NEGOTIATIONS (ALBEIT SLOWLY), FIRST WITH ESSO AND LATER WITH THE OTHER COMPANIES, TO GAIN TIME AND (HOPEFULLY) IMPROVE ITS BARGAINING POSITION VIA THE ALTERNATE CRUDE- SUPPLY ROUTE.

4. COMMENT: WE GENERALLY CONCUR WITH CLEVELAND'S OUTLOOK, AND ARE UNAWARE OF ANY GOI PLAN TO NATIONALIZE ALL FOREIGN OIL COMPANIES ON THIS SCHEDULE. THE ON- GOING OPERATING AGREEMENTS, CAPITAL INVESTMENTS AND VALUES, TYPES AND STYLES OF REFINERIES, IN- HOUSE METHODS OF OBTAINING CRUDE OIL, AND OTHER PERTINENT FACTORS, VARY WITH EACH ORGANIZATION AND WOULD APPEAR TO HAVE TO BE DEALT WITH INDIVIDUALLY; AND WITH DIFFERENT END LIMITED OFFICIAL USE

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RESULTS. IT THIS SEEMS MORE LIKELY THAT THE GOI PLAN IS TO ATTEMPT TO COMPLETE NEGOTIATIONS WITH ESSO ONLY PRIOR TO THE FIFTH PLAN, THAN THEN TURN TO (SAY) BURMAH- SHELL, THE PRIVATE SECTOR'S LARGEST FIRM; AND FINALLY TO CALTEX, THE SMALLEST. END COMMENT.

SCHNEIDER

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